

AUSTIN REED LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2000



AUSTIN REED LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 January 2000

1. The directors present herewith the audited accounts for the year ended 31 January 2000.

Business Activities

2. The company manufactures and sells high quality apparel for both ladies and men and also provides ancillary services through its retail outlets in the UK.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity in the retail division will be sustained for the foreseeable future. During the year the engineered line in the manufacturing division was closed. The division continued to manufacture hand-tailored garments.

3. Results and Dividends

The profit and loss account for the year is set out on page 5. The loss for the year, after taxation, amounted to £997,750 (1999: £1,099,628 profit).

The directors recommend that a final dividend of £3,000,000 be paid for the year ended 31 January 2000, thus leaving £3,997,750 to be transferred from retained profits (1999: £4,057,209 transferred from retained profits).

The Environment

4. The company continues to improve its' environmental performance, using the best practicable means. The working party, headed by the company Secretary, reviews the achievements of the company, sets new targets and encourages individuals to ensure that environmental issues are given careful consideration when planning operational activities. In addition to our own commitment, we encourage our suppliers to meet the environmental standards set by the company.

Year 2000 Compliance

5. During the year the company completed its programme of work to ensure that all information systems were compliant with Year 2000 requirements. The directors are pleased to report that this work was completed on time and the company suffered no adverse consequences as a result of Year 2000 issues.

The costs involved were considerably offset to a large extent by an existing systems development programme within which some systems had previously been scheduled for rectification or replacement.

AUSTIN REED LIMITEDDirectors

6. The directors of the company at 31 January 2000, all of whom have served throughout the year, unless otherwise stated were:-

C M L Evans - Chairman
 A J Briggs
 G Gibson
 C A Houlihan
 R W Jennings
 M A Tiffin

G Gibson and M A Tiffin retire by rotation and, being eligible, offer themselves for re-election.

Directors' Interests

7. According to the register required to be kept by Section 325 of the Companies Act 1985, no director at 31 January 2000 had any interest in the shares of the company.

The interests of the directors in the shares of the company's Holding Company at the beginning and end of the financial year and the movements in their share options for the year were:-

	Ordinary Shares		Share Options			
	1 Feb 99	31 Jan 00	1 Feb 99	Granted	Exercised	Lapsed 31 Jan 00
A J Briggs	2,584	2,584	40,000	-	-	- 40,000

As permitted by Statutory Instrument the register does not include any shareholdings of directors who are also directors of the Holding Company.

Employment of Disabled Persons

8. It remains the policy of the company to give full and sympathetic consideration to the employment, training, career development and promotion of disabled persons including those becoming disabled after their employment has commenced.

Employee Involvement

9. The company has maintained its arrangements for employee involvement.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Auditors

10. A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

AUSTIN REED LIMITED

11. Payment of Suppliers

It is the company's policy to pay its suppliers in accordance with the terms of trade which may be agreed at the time of order.

The company's average credit payment period at 31 January 2000 was 32 days (1999 : 33 days).

By Order of the Board


Miss J Anders

Secretary

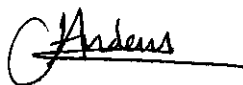
5 April 2000

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are required by UK Company Law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

In preparing the accounts for the year ended 31 January 2000, suitable accounting policies have been used and applied consistently, framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards have been followed and the accounts have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for ensuring that steps are taken to prevent and detect fraud and other irregularities.

By Order of the Board



Miss J Anders
Secretary

5 April 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF AUSTIN REED LIMITED

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the accounts in accordance with applicable United Kingdom accounting standards.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

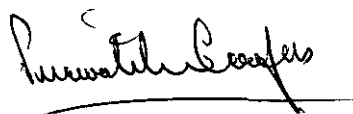
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 January 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
5 April 2000

For the year ended 31 January 2000

	Notes	2000 £	1999 £
Turnover	1 & 2	68,596,414	74,135,618
Cost of sales		37,620,106	43,740,734
Gross profit		<u>30,976,308</u>	<u>30,394,884</u>
Operating expenses and other income	3	26,977,729	27,523,500
Exceptional operating expenses and other income	4	(532,872)	852,366
Operating profit		<u>3,465,707</u>	<u>3,723,750</u>
Profit on disposal of fixed assets	5	(110,948)	(316,419)
Loss on termination of operations	5	4,621,851	1,578,000
		<u>(1,045,196)</u>	<u>2,462,169</u>
Interest payable	6	-	476,166
(Loss)/profit on ordinary activities before taxation	7	<u>(1,045,196)</u>	<u>1,986,003</u>
Taxation	1 & 10	(47,446)	886,375
(Loss)/profit on ordinary activities after taxation		<u>(997,750)</u>	<u>1,099,628</u>
Dividends on equity shares paid and proposed		3,000,000	5,156,837
Retained loss for the financial year	17	<u>(3,997,750)</u>	<u>(4,057,209)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 2000

	Notes	2000 £	1999 £
(Loss)/profit for the financial year		(997,750)	1,099,628
Unrealised (deficit)/surplus on property revaluation	18	(550,000)	12,048,683
Total recognised (losses)/gains		<u>(1,547,750)</u>	<u>13,148,311</u>

The company had no discontinued operations or acquisitions in either year.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

AUSTIN REED LIMITED
BALANCE SHEET

Page 6

at 31 January 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS					
Tangible assets	1 & 12		34,825,070		37,965,939
CURRENT ASSETS					
Stocks	1 & 13	18,117,636		20,990,718	
Debtors	14	5,647,676		9,795,609	
Cash at bank and in hand		162,283		287,527	
		<u>23,927,595</u>		<u>31,073,854</u>	
CREDITORS					
Amounts falling due within one year	15	<u>27,483,866</u>		<u>32,109,152</u>	
			(3,556,271)		(1,035,298)
Total assets less current liabilities			<u>31,268,799</u>		<u>36,930,641</u>
PROVISION FOR LIABILITIES AND CHARGES					
	1 & 11		1,391,221		2,513,805
			<u>29,877,578</u>		<u>34,416,836</u>
CAPITAL AND RESERVES					
Called up share capital	16		45,000		45,000
Retained profit	17		7,286,876		10,457,774
Share premium account			1,627,681		1,627,681
Revaluation reserve	18		20,913,021		22,281,381
Capital redemption reserve			5,000		5,000
Total shareholder's funds	19		<u>29,877,578</u>		<u>34,416,836</u>
Equity shareholder's funds			29,842,578		34,381,836
Non-equity shareholder's funds			35,000		35,000
Total shareholder's funds			<u>29,877,578</u>		<u>34,416,836</u>

The accounts on pages 5 to 15 were approved by the Board of Directors on 5 April 2000 and are signed on its behalf by :

G Gibson



Director

at 31 January 2000

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and Accounting Standards in the United Kingdom.

Turnover

Turnover is the amount receivable from customers and licensees. Turnover excludes Value Added Tax.

Licensing Income

The company accounts for royalties on an accruals basis taking a prudent view of the income earned by reference to agreed minimum payments and sales information provided by licensees.

Fixed Assets and Depreciation

Freehold and long leasehold properties were revalued at 31 January 1999 and the values have been included in these accounts. No value is attributed to short leaseholds. Plant and fittings are included at cost.

Provision is made for the depreciation of fixed assets over their useful lives where it is necessary to reflect a reduction from book value to estimated value.

It is the company's policy to maintain its properties in a state of good repair to prolong their useful lives, and in the case of freehold and long leasehold properties the Directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. In the event that the value of a property permanently diminishes, provision is made in the profit and loss account.

It is general policy to write off the historical cost of plant and fittings in even amounts over ten years and motor vehicles and computer equipment over four years.

Stocks

Stock of merchandise and materials are valued at the lower of cost and net realisable value.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign Currencies

Profit and loss items are translated at appropriate average rates and assets and liabilities are translated at the rates ruling at the end of the year. All other exchange differences are taken to the profit and loss account.

Pension Scheme

The company's pensionable employees are members of the Austin Reed Group contributory defined benefit scheme. Charges to the profit and loss account are made in accordance with the Group pension arrangements.

at 31 January 2000

1. ACCOUNTING POLICIES (Continued)

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Cashflow Statement

The company is a wholly-owned subsidiary of Austin Reed Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of Austin Reed Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cashflow statement.

2. SEGMENT ANALYSIS

The analysis by class of business of turnover and profit before taxation is set out below.

Turnover

	2000	1999
Class of business	£	£
Retail	59,799,031	61,668,989
Manufacturing	10,532,950	18,161,062
Inter-segment sales	(3,786,105)	(7,619,552)
Licensing	2,050,538	1,925,119
	<u>68,596,414</u>	<u>74,135,618</u>

	2000	1999
Sales by destination	£	£
United Kingdom	63,658,893	66,721,714
Rest of Europe	1,207,848	2,346,180
North America	2,226,982	3,608,098
Far East	1,465,691	1,348,626
Rest of World	37,000	111,000
	<u>68,596,414</u>	<u>74,135,618</u>

A segment analysis of profit before taxation is not provided as in the opinion of the Directors the information would be misleading and detrimental to the interests of the company.

at 31 January 2000

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	2000	1999
	£	£
Selling expenses	25,027,339	25,770,333
Administration expenses	2,264,329	2,500,601
Other operating (income)/charges:		
From fellow subsidiaries	(313,939)	(795,276)
From other sources	-	47,842
	<u>26,977,729</u>	<u>27,523,500</u>

4. EXCEPTIONAL OPERATING EXPENSES AND OTHER INCOME

Exceptional operating expenses and other income comprise items which by way of their size or nature are not considered part of the regular trade of the Company and are therefore shown separately. These represent £160,353 relating to the completion of the cost reduction programme launched at the end of 1998 and £372,519 relating to a strategic review of the manufacturing division.

The tax charge for the year includes a credit of £48,365 in respect of these items.

5. EXCEPTIONAL ITEMS

The profit on disposal of fixed assets of £110,948 relates to the sale of a freehold property.

The loss on termination of operations of £4,621,851 relates to the costs of closure of the company's engineered clothing line at its factory in Crewe, England, and its shirt factory in Lifford, Republic of Ireland.

The tax charge for the year includes £15,777 in respect of the disposal of fixed assets and a credit of £1,398,593 in respect of the loss on termination of operations.

6. INTEREST PAYABLE

	2000	1999
	£	£
Interest payable on bank loans and overdrafts wholly repayable within five years	-	476,166
	<u>-</u>	<u>476,166</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000	1999
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Property rentals	7,011,722	6,195,521
Depreciation	2,248,240	2,830,218
Gain on sale of fixed assets	(123,233)	(404,510)
Equipment leases - Note 8	490,019	480,473
Auditors' remuneration - Audit fees	41,500	60,000
- Non-Audit fees	10,000	26,500
Loss on translation of foreign currencies	-	14,399

at 31 January 2000

8. OPERATING LEASE COMMITMENTS

	2000		1999	
	Land & Buildings	Plant & Machinery	Land & Buildings	Plant & Machinery
	£	£	£	£
Annual commitments under operating leases at 31 January 1999 are as follows :				
Expiring within one year	1,197,700	102,931	884,600	133,649
Expiring between two and five years	800,300	207,923	907,400	-
Expiring in over five years	4,747,980	227,216	5,124,100	240,000
	<u>6,745,980</u>	<u>538,070</u>	<u>6,916,100</u>	<u>373,649</u>

9. EMPLOYEES

The average number of persons employed by the company including Executive Directors during the year is analysed below:-

	2000 Number	1999 Number
Production	390	687
Selling and administration	579	532
	<u>969</u>	<u>1,219</u>

Staff costs during the year amounted to :

	£	£
Wages and salaries	14,018,176	16,204,270
Social security costs	1,095,537	1,326,109
Other pension costs	429,450	468,418
	<u>15,543,163</u>	<u>17,998,797</u>

Directors' Remuneration

	£	£
Aggregate emoluments	<u>81,752</u>	<u>66,667</u>

Retirement benefits are accruing to one director under a defined benefit scheme.

at 31 January 2000

10. TAXATION

The taxation charge which is based on the profit for the year is made up as follows :-

	2000	1999
	£	£
Current year :		
UK Corporation tax at 30.16% (1999 - 31.0%)	153,473	1,170,466
Less relief for overseas tax	(153,473)	(128,315)
	-	1,042,151
Overseas taxation	153,473	128,315
Deferred taxation	(48,179)	(189,868)
	105,294	980,598
Prior year adjustment :		
Corporation tax	(223,827)	(102,636)
Deferred tax	71,087	8,413
	(47,446)	886,375

11. PROVISION FOR LIABILITIES AND CHARGES

	2000	1999
	£	£
Deferred taxation provided for in the accounts at 30.0% (1999 - 30.0%) is as follows :-		
Amount provided at beginning of year	1,376,805	1,568,904
Transfer to profit and loss account	22,908	(181,455)
Transfer to fellow subsidiaries	-	(234,961)
Transfer from revaluation reserve	(8,492)	224,317
	1,391,221	1,376,805
Provision for termination of operations		
Amount provided at beginning of year	1,137,000	-
Released/(charged) in the year	(1,137,000)	1,137,000
	-	1,137,000
Total provision for liabilities and charges	1,391,221	2,513,805
Deferred taxation is provided on :		
Accelerated capital allowances	1,013,204	1,160,488
Deferred capital gains on properties	438,017	321,317
Short term timing differences	(60,000)	(105,000)
	1,391,221	1,376,805
Potential liability not provided for corporation tax on heldover capital gains	75,000	73,488
Potential liability not provided for corporation tax if properties were disposed of at their revalued amounts	1,817,737	1,989,947

at 31 January 2000

12. FIXED ASSETS

	Freehold Property £	Leasehold Property £	Plant £	Motor Vehicles £	Total £
Cost (or Valuation) :					
At 1 February 1999					
- Valuation at 31 January 1999	13,625,000	12,000,000	-	-	25,625,000
- Cost	-	-	25,969,157	322,652	26,291,809
Additions	-	-	1,408,581	-	1,408,581
Transfers to fellow subsidiary	-	-	(2,400)	-	(2,400)
Disposals	(1,025,000)	-	(3,813,350)	(8,068)	(4,846,418)
Reclassification	550,000	-	(550,000)	-	-
Revaluation	(550,000)	-	-	-	(550,000)
At 31 January 2000	<u>12,600,000</u>	<u>12,000,000</u>	<u>23,011,988</u>	<u>314,584</u>	<u>47,926,572</u>
Depreciation :					
At 1 February 1999	-	-	13,737,291	213,579	13,950,870
Charges in the year	-	-	2,204,416	43,824	2,248,240
Transfers to fellow subsidiary	-	-	-	-	-
Disposals	-	-	(3,089,540)	(8,068)	(3,097,608)
At 31 January 2000	<u>-</u>	<u>-</u>	<u>12,852,167</u>	<u>249,335</u>	<u>13,101,502</u>
Net book value :					
At 31 January 2000	<u>12,600,000</u>	<u>12,000,000</u>	<u>10,159,821</u>	<u>65,249</u>	<u>34,825,070</u>
At 1 February 1999	<u>13,625,000</u>	<u>12,000,000</u>	<u>12,231,866</u>	<u>109,073</u>	<u>37,965,939</u>

All the freehold and leasehold properties were revalued on an open market basis at 31 January 1999.

The freehold property at Sackville Street, London and the long leasehold property at Regent Street, London were revalued by Nelson Bakewell, Chartered Surveyors.

All the remaining freehold properties were revalued by Hillier Parker, Chartered Surveyors.

Following completion of the major refurbishment of the freehold property of Sackville Street, London some costs previously classified as fixed plant have been reclassified as buildings. The revaluation of the building at 31 January 1999 reflected the refurbishment and therefore the reclassified costs have have been charged to the revaluation reserve.

No value has been attributed to any short leasehold properties.

The excess of the revaluation of freehold and leasehold properties over their original cost is represented by the Revaluation Reserve.

at 31 January 2000

13. STOCK

	2000	1999
	£	£
Raw Materials	1,394,479	3,403,811
Work in Progress	634,049	1,107,744
Finished Goods	16,089,108	16,479,163
	<u>18,117,636</u>	<u>20,990,718</u>

14. DEBTORS

Amounts falling due within one year

	2000	1999
	£	£
Trade debtors	1,900,243	4,363,392
Amounts due from fellow subsidiaries	168,136	1,502,735
Other debtors	1,195,466	433,125
Prepayments	2,383,831	3,496,357
	<u>5,647,676</u>	<u>9,795,609</u>

15. CREDITORS

Amounts falling due within one year

	2000	1999
	£	£
Trade creditors	4,476,965	4,817,014
Amount due to parent company	16,037,888	20,324,311
Amount owed to fellow subsidiaries	704,252	234,962
Other taxation and social security	2,991,521	2,937,458
Corporation tax payable	524,118	936,751
Accruals	2,749,122	2,858,656
	<u>27,483,866</u>	<u>32,109,152</u>

at 31 January 2000

16. SHARE CAPITAL

	Authorised 2000 & 1999 £	Issued & Fully Paid 2000 & 1999 £
15,000 ordinary shares of £1 each	15,000	10,000
35,000 second preference shares of £1 each	35,000	35,000
	<u>50,000</u>	<u>45,000</u>

Preference shares are non-redeemable, non-voting and have a preferential right to return of capital on winding up.

17. RETAINED PROFIT

	2000 £	1999 £
At 1 February 1999	10,457,774	11,481,764
Transfer from Revaluation Reserve	826,852	3,033,219
Retained profit for the year	(3,997,750)	(4,057,209)
At 31 January 2000	<u>7,286,876</u>	<u>10,457,774</u>

18. REVALUATION RESERVE

	2000 £	1999 £
At 1 February 1999	22,281,381	13,231,917
Transfer to Retained Profit	(826,852)	(3,033,219)
Revaluation of properties	(550,000)	12,307,000
Deferred taxation provided on property revaluation	8,492	(224,317)
At 31 January 2000	<u>20,913,021</u>	<u>22,281,381</u>

at 31 January 2000

19. MOVEMENT IN SHAREHOLDER'S FUNDS

	2000	1999
	£	£
Opening shareholder's funds	34,416,836	26,391,362
Other recognised gains/(losses)	(541,508)	12,082,683
Retained profit for the year	(3,997,750)	(4,057,209)
Closing shareholder's funds	<u>29,877,578</u>	<u>34,416,836</u>

20. CAPITAL COMMITMENTS

The company had no capital commitments at the year end in respect of expenditure authorised by the directors whether contracted for or not contracted for (1999 - £Nil)

21. CONTINGENT LIABILITY

The company and a fellow subsidiary have guaranteed a loan to its holding company. As at 31 January 2000 the balance on this loan was £17,443,000 (1999 - £20,350,000)

22. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Austin Reed Group PLC, a company registered in England. Under the terms of Financial Reporting Standard No. 8 Austin Reed Limited is exempt from disclosing related party transactions and balances with entities within Austin Reed Group PLC. Copies of the consolidated accounts of Austin Reed Group PLC may be obtained from The Secretary, PO Box 2, Thirsk, North Yorkshire YO7 1PF.